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INDEPENDENT AUDITORS' REPORT

Mr. Martin Benison, Comptroller
The Commonwealth of Massachusetts

We have audited the accompanying combined financial statements - statutory basis of the Commonwealth of Massachusetts as of June 30, 2000, and for the year then ended, listed in the foregoing table of contents. These combined financial statements - statutory basis are the responsibility of the management of the Commonwealth of Massachusetts. Our responsibility is to express an opinion on these combined financial statements - statutory basis based on our audit. We did not audit the financial statements of the Pension Reserves Investment Trust, which is the investment vehicle of the Commonwealth of Massachusetts' Pension Trust Funds, the financial statements of which represent 90.1 percent and 69.1 percent, respectively, of the assets and revenues of the Fiduciary Fund Type. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Reserve Investment Trust, is based solely on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements - statutory basis are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements - statutory basis. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement - statutory basis presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinion.

As described in Note 2 to the combined financial statements - statutory basis, the Commonwealth of Massachusetts prepares its combined financial statements - statutory basis on a prescribed basis of accounting that demonstrates compliance with General Laws, budgetary principles, and funds of the Commonwealth of Massachusetts, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of another auditor, such combined financial statements statutory basis referred to above present fairly, in all material respects, the financial position of the Commonwealth of Massachusetts, as of June 30, 2000, and the results of its operations for the year then ended, on the basis of accounting described in Note 2.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements— statutory basis taken as a whole. The combining and individual fund statements - statutory basis and supplemental information listed in the foregoing table of contents, are presented for the purpose of additional analysis and are not a required part of the combined financial statements - statutory basis of the Commonwealth of Massachusetts. These financial statements and schedules are also the responsibility of the management of the Commonwealth of Massachusetts. Such additional information has been subjected to the auditing procedures applied in our audit of the combined financial statements - statutory basis and, based on our audit and the report of the other auditor, in our opinion, is fairly stated in all material respects when considered in relation to the combined financial statements - statutory basis taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report, and accordingly, we express no opinion on such data.

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 24, 2000, on our consideration of the Commonwealth of Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the use of elected and appointed officials of the Commonwealth of Massachusetts and is not intended to be and should not be used by anyone other than these specified parties.

October 24, 2000